

MASS. UM 106.2: L34/4/Housing
April 2002



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The Mauricio Gastón Institute
for Latino Community Development
and Public Policy

Latinos in Massachusetts: HOUSING

Latino Shelter Poverty in Massachusetts

by Michael E. Stone

The Mauricio Gastón Institute of the University of Massachusetts Boston conducts research on and for the Latino population. A goal is to generate the kind of information and analysis necessary to develop sound public policy, and to improve Latino participation in the policy-making process. The Gastón Institute has produced this series of fact sheets in an effort to present up-to-date information about the issues affecting Latinos in a number of key areas: Education, Health, Housing, Immigration, and Political Representation.

LATINO SHELTER POVERTY IN 1998: AN OVERVIEW

IN 1998, THERE WERE ABOUT 105,000 LATINO HOUSEHOLDS IN MASSACHUSETTS, ABOUT 4 PERCENT OF ALL HOUSEHOLDS IN THE STATE.¹ They had a median income of about \$25,000. Approximately 25 percent of Latino households had incomes of less than \$15,000, and 45 percent had incomes of \$40,000 or more. Their median household size was 3.3 persons, with nearly half (45 percent) having four persons or more. Only about one in ten Latino households contained just a single person, a little over one-fifth had two persons, and about one-fifth had three persons.

The homeownership rate of Massachusetts Latinos was 21 percent in 1998. This compares with about 24 percent among Blacks, 36 percent among Asian Americans, and 65 percent among Whites. However, among Latino households with incomes of \$40,000 or more, the homeownership rate was 57 percent.

The differences between Latino renters and homeowners are so great that housing affordability is best considered by tenure rather than for Latinos in the aggregate. For example, Latino renters had a median income of \$20,000 in 1998, and a shelter-poverty rate of 61 percent;² Latino homeowners had a median income of about \$57,000, and a shelter-poverty rate of 32 percent. Furthermore, more than half of all Latino renters in Massachusetts live in cities outside metro Boston, compared with two-thirds of Latino homeowners who reside within metro Boston.

Latino Renters: Households and Incomes

IN 1998, THERE WERE NEARLY 83,000 LATINO RENTER HOUSEHOLDS IN MASSACHUSETTS. These households had a median size of three persons. Nearly 40 percent contained four persons or more, while about a fifth had three persons, about a quar-

ter had two persons and less than one in seven had one person in the household.

The median income of Latino renter households in Massachusetts was about \$18,600 in 1998. About 25 percent had incomes of less than \$10,000, and 15 percent had incomes of \$10,000 to \$15,000. Renter households are, for the most part, very precariously housed, as well as stressed in meeting their non-shelter needs. At the other end of the distribution, almost a third of Latino renters had incomes of \$30,000 or more. Many of these higher-income households probably had multiple wage earners, and, unless they had many children in the household, most did not have severe housing affordability problems.

There are substantial differences in household size among Latino renters. The relatively small group of one-person Latino renter households had a median income of \$16,600 in 1998. About a

third had incomes of less than \$10,000, and most of these were elderly and non-elderly singles with barriers to adequate employment as well as some elderly.

The median income of three-person households was just \$11,500, with nearly 60 percent having incomes of less than \$15,000. The median income of two-person Latino renter households was \$27,300, and of four-or-more-person Latino renter households it was \$24,900. The considerably higher median incomes of two-person and four-or-more-person households reflect bimodal income distributions among households of these sizes. At the lower end, nearly 30 percent of two-person Latino renter households had incomes of less than \$15,000; and over 35 percent of four-person-or-more Latino renter households had incomes of less than \$15,000. Most of these lower-income households were probably made up of single mothers

with children. Some of the larger households may have had two adults, but probably just one wage earner. As a group, there are nearly 28,000 Latino renter households with yearly incomes of less than \$15,000 and containing at least 2 persons; these account for fully a third of all Latino renters in Massachusetts.

At the upper end, about 33 percent of two-person households, and over 40 percent of four or more person households, had incomes of \$30,000 or more, much higher percentages than for one and three-person households.

Shelter Poverty among Latino Renter Households

IN 1998, 61 PERCENT OF ALL LATINO RENTER HOUSEHOLDS IN MASSACHUSETTS WERE SHELTER POOR, WITH A MEDIAN INCOME OF \$12,500, SLIGHTLY MORE THAN HALF OF THE MEDIAN INCOME OF ALL LATINO

RENTERS (see table 1). The median size of shelter-poor Latino renter households was 3.3 persons — slightly greater than the median size of all Latino renter households.

Shelter poverty problems vary considerably by household size. Among one-person Latino renters, 29 percent were shelter poor in 1998, with a median income of \$7,200; shelter poverty is concentrated almost entirely among households with incomes under \$15,000. Among two-person renter households, 50 percent were shelter poor; their median income was \$13,200, although nearly a third of all those who are shelter poor have incomes of \$20,000 or more.

Among three-person Latino renter households, 81 percent were shelter poor in 1998. This is the highest rate of shelter poverty, reflecting this group's concentration at very low incomes: the median income of three-person shelter-poor renter households was \$9,000, with significant rates of shelter poverty among those with earnings up to \$30,000. For households with four or more persons, the shelter poverty rate was 69 percent; the median income of this group was \$14,700, with very high rates of shelter poverty all the way up to income levels of \$40,000. The reach of shelter poverty up the income distribution for larger households reflects not only higher housing costs for larger apartments, but also the greater cost of meeting non-shelter needs with more people in a household.

Compared with conventional affordability burdens, 50 percent of Latino renters paid over 30 percent of their incomes for housing in 1998, considerably lower than the 61 percent of Latino renters who were shelter poor (see table 1). They had a median income of \$13,500. This is deceptive because among one- and two-person households, there is very little difference between the rates of shelter poverty and the percentage of those paying over 30 percent of income in rent. By contrast, among larger households, shelter-poverty rates among renters are much higher than the rates paying over 30 percent of income, because the conventional standard reflects incomes only, rather than taking into account the household-size effects of non-shelter necessities, as does the

Table 1

Renter Households with Affordability Problems Massachusetts, 1990-1998

	Number of Households (thousands)			Percent of Households		
	1990	1993	1998	1990	1993	1998
ALL						
SHELTER POOR	289.8	345.1	365.9	31.7	39.1	38.5
PAYING 30%+	380.7	406.7	458.3	41.6	46.1	48.2
PAYING 50%+	191.3	180.7	241.9	20.9	20.5	25.4
LATINO						
SHELTER POOR	38.3	47.5	50.6	59.1	63.8	61.2
PAYING 30%+	34.9	40.2	40.9	53.9	54.0	49.5
PAYING 50%+	21.2		23.1	32.8		27.9
BLACK						
SHELTER POOR	27.6	35.0	53.4	41.8	46.8	53.0
PAYING 30%+	30.6	35.0	46.7	46.5	46.8	46.3
PAYING 50%+	16.8		30.0	25.4		29.7
ASIAN-AMERICAN						
SHELTER POOR	10.8	15.3	14.4	48.9	53.8	42.3
PAYING 30%+	11.7	14.9	18.5	53.1	52.5	54.4
PAYING 50%+	7.3		8.3	32.9		24.4
WHITE						
SHELTER POOR	213.1	230.4	247.5	28.0	32.7	33.8
PAYING 30%+	303.4	270.3	352.2	39.8	38.4	48.0
PAYING 50%+	146.0		180.5	19.2		24.6
FEMALE-HEADED						
SHELTER POOR	179.3	214.6	226.6	39.3	42.5	44.9
PAYING 30%+	227.0	238.9	261.9	49.7	50.3	51.9
PAYING 50%+	124.3		148.5	27.2		29.4
ELDERLY						
SHELTER POOR	71.5	71.8	66.3	37.3	40.4	42.1
PAYING 30%+	97.9	95.3	97.0	51.1	53.6	61.6
PAYING 50%+	49.3		57.1	25.7		36.2

shelter-poverty approach. That is, larger, low-income families are in fact shelter poor, even if they are paying under 30 percent of their incomes for housing.

About 28 percent of Latino renters paid over 50 percent of income for housing, and had a median income of just \$7,700 (*see table 1*). For one-person households there is little difference in this measure of affordability and shelter poverty. However, for all larger households, shelter-poverty rates are two to three times as great. As with shelter poverty, three-person households have by far the most severe problem, with nearly half paying 50 percent or more of their incomes for housing.

Latino Renters in Comparison with Other Renters

IN 1998 LATINO RENTERS ACCOUNTED FOR ABOUT 9 PERCENT OF ALL RENTER HOUSEHOLDS IN MASSACHUSETTS. Their median income of \$18,600 was slightly higher than that of Black renters, but considerably lower than Asian American and White renters (*see table 1*).

The rate of shelter poverty among Latino renters (61 percent) was much higher than the rate for Blacks (53 percent), Asian-Americans (42 percent), and Whites (34 percent). These differential rates reflect differences in household size as well as income. For example, even though Latino renters had slightly higher median income than did Black renters, the median size of shelter-poor Latino households was 3.3 persons compared with 2.3 persons among shelter-poor Black households.

On the 50-percent-of-income standard, affordability problems were similar for Latino, Black, Asian and White renters, with Latinos having slightly lower rates than Blacks (28 percent vs. 30 percent), but both having rather higher rates than Asians and Whites (24 percent and 25 percent, respectively). On the 30-percent-of-income standard, Latino renters had a lower rate than Asians (50 percent vs. 54 percent), but a slightly higher rate than Blacks (46 percent) and Whites (48 percent).

Latino Homeowners: Households and Incomes

IN 1998, THERE WERE SLIGHTLY MORE THAN 22,000 LATINO HOMEOWNER HOUSEHOLDS IN MASSACHUSETTS. The median size of these households was 5.1 persons, much greater than the median size of renter households (3.0 persons). Fully 70 percent of Latino homeowner households had four persons or more; 20 percent had three persons; less than 10 percent had one or two persons.

Economically, Latino homeowners differ very substantially from Latino renters. The median income of Latino homeowners in 1998 was about \$57,000, compared with \$20,000 for Latino renters. The modal group of homeowners with four –or more persons in the household had a median income of \$58,600, while three-person homeowner households had a slightly lower median income of \$55,300. The very small number of one and two-person homeowner households

were economically very different with median incomes of \$24,900 and \$32,800, respectively.

Shelter Poverty among Latino Homeowners

ABOUT 32 PERCENT OF LATINO HOMEOWNERS IN MASSACHUSETTS WERE SHELTER POOR IN 1998. Their median income was about \$23,000 — equal to about 40 percent of the median income of all Latino homeowners (*see table 2*). Among the modal type of homeowner households with four or more persons, 29 percent were shelter poor. Their median income was \$31,500, and virtually all four-or-more-person homeowner households with incomes of under \$40,000 were shelter poor. The rate of shelter poverty among three-person Latino homeowner households was 34 percent; nearly all three-person homeowner households with median incomes under \$30,000 were shelter poor, and over half of those with median incomes of \$30,000 to 40,000 were shelter poor.

On the conventional standards of affordability, 22 percent of Latino homeowners in Massachusetts were paying over 50 percent of income for housing, and 43 percent were paying over 30 percent of income - compared with 34 percent who were shelter poor. The proportion of homeowners paying over 50 percent of income for housing suggests that many Latino homeowners are paying much more in mortgage costs than typically specified by conventional mortgage underwriting standards. In

Table 2

Homeowner Households (numbers in thousands) Massachusetts, 1998

	TOTAL				SHELTER POOR				PAYING 50%+				PAYING 30%+		
	Number	Med. Inc.	% of All	Number	Percent	Med. Inc.	% of All	Number	Percent	Med. Inc.	% of All	Number	Percent	Med. Inc.	% of All
ALL	1,450.1	\$56,700	100.0	305.3	21.1	\$21,500	100.0	215.5	14.9	\$17,800	100.0	489.2	33.7	\$28,600	100.0
LATINO	22.4	\$57,100	1.5	7.2	32.1	\$23,100	2.4	4.8	21.7	\$17,300	2.2	9.7	43.3	\$32,600	2.0
BLACK	32.4	\$51,400	2.2	13.4	41.4	\$23,000	4.4	11.0	34.1	\$19,000	5.1	16.9	52.1	\$23,900	3.5
ASIAN	18.8	\$60,300	1.3	2.3	12.5	\$34,200	0.8	0.9	4.7	\$27,000	0.4	4.3	22.6	\$46,900	0.9
WHITE	1,376.5	\$57,000	94.9	282.4	20.5	\$21,000	92.5	198.8	14.4	\$17,000	92.3	458.3	33.7	\$29,000	93.7
FEMALE	599.2	\$44,200	41.3	152.6	25.5	\$16,000	50.0	116.4	19.4	\$14,100	54.0	231.4	38.6	\$20,900	47.3
ELDERLY	365.0	\$28,300	25.2	78.7	21.6	\$10,100	25.8	68.4	18.7	\$10,800	31.7	140.7	38.6	\$13,300	28.8

Source for Tables 1 & 2: Prepared from American Housing Survey and Current Population Survey Data.

About the author

MICHAEL E. STONE, Ph.D., is professor of Community Planning and Public Policy at the University of Massachusetts Boston. For over thirty years Michael Stone has been engaged in research, policy analysis, program development, and advocacy on housing, living standards, and participatory planning. He has worked with community-based organizations, local governments, and state and national advocacy groups. He is the author of over forty articles, reports, chapters, and books, including *Shelter Poverty: New Ideas on Housing Affordability*.

some cases, these costs may reflect ownership of multi-family houses, in which some of the costs are offset by rental income. In other cases, however, income may have declined after purchase, or income may have been exaggerated to qualify for a mortgage.

Latino Homeowners in Comparison with Other Homeowners

THE MEDIAN INCOME OF LATINO HOMEOWNERS IN MASSACHUSETTS WAS NEARLY THE SAME AS WHITE HOMEOWNERS 1998, SOMEWHAT HIGHER THAN BLACK HOMEOWNERS, AND SLIGHTLY LOWER THAN ASIANS. LATINO HOMEOWNERS IN MASSACHUSETTS HAD CONSIDERABLY LOWER RATES OF SHELTER POVERTY THAN BLACK HOMEOWNERS: 32 PERCENT VS. 41 PERCENT. Shelter-poor Latino and Black homeowners had the same median

income — about \$23,000. By contrast, both Asian and White homeowners had much lower rates of shelter poverty: 13 percent among Asians and 16 percent among Whites (*see table 2*). Using conventional percent-of-income standards, Black homeowners also had the highest rates of affordability problems — about nine to twelve percentage points higher than the rate for Latinos. But both Latinos and Blacks have far higher rates of affordability problems than both Asians and Whites (*see table 2*).

SHELTER-POVERTY TRENDS: 1990, 1993, and 1998

Shelter Poverty among Latino Renters and Homeowners Compared with Other Groups

THROUGHOUT THE 1990S, LATINO RENTERS EXPERIENCED THE HIGHEST RATES OF SHELTER POVERTY OF ANY GROUP. In 1990, the incidence of shelter poverty among Latinos was 10 percentage points higher than it was for Asian renters, 17 percentage points higher than Black renters, and more than 30 percentage points higher than White renters. During the recessionary period of the early 1990s, the rates of shelter poverty increased by about five percentage points for all groups, so that the differentials remained virtually unchanged.

From 1993 through 1998, the shelter poverty rates of various groups no longer moved in tandem. While Latino renters saw a slight reduction in their rate of shelter poverty, Black

renters experienced a substantial increase, Asians a substantial decrease, and Whites virtually no change. Black and Asian renters reversed their relative positions in terms of severity of shelter poverty; but while the situation of Black renters worsened, their rate of shelter poverty in 1998 was still 8 percentage points below that of Latinos.

In 1990 Latino homeowners had a rate of shelter poverty about one percentage point higher than that of both Black and Asian homeowners — an insignificant difference — and about four percentage points higher than that of White homeowners. Between 1990 and 1993, shelter poverty increased by several percentage points for all groups; in 1993 Asians had a slightly higher rate than both Latinos and Blacks, but all homeowners of color continued to have higher rates than Whites. Between 1993 and 1998, though, there was substantial divergence in the rates of shelter poverty among the groups. For Asian homeowners there was a very significant reduction in shelter poverty, while for Whites there was virtually no change. During the same time period, shelter poverty among Latino homeowners rose from 21 percent in 1993 to 32 percent in 1998 and among Black homeowners it rose from 20 percent to 41 percent. During this period, rates of Black homeownership surged even more than Latino homeownership in response to first-time homebuyer programs and advocacy around mortgage lending, with financial risks at least comparable to those faced by new Latino homeowners.

Notes:

¹ All of the figures in this paper have been computed from special tabulations of Current Population Survey and American Housing Survey data. The tabulations were generated by the Massachusetts Institute for Social and Economic Research (MISER).

² The conventional definition of housing affordability uses a cutoff of 30 percent of income as the maximum amount a household ostensibly can pay for housing without hardship. In the early 1980s this standard replaced the traditional 25-percent-of-income "rule-of-thumb" that had been widely used since the nineteenth century; and in recent years, 50 percent of income has been used as a measure of "worst case housing needs." In the early 1970s, I formulated a more realistic sliding scale called *shelter poverty*, which recognizes that relatively larger and lower-income families cannot realistically afford 30 percent, or even 25 percent, of their incomes for housing without compromising their other needs, and that households of relatively smaller size and higher income can afford more than 30 percent without hardship. For a full discussion of the shelter-poverty concept and methodology, see Stone 1993. This paper examines the affordability situation of Latinos in Massachusetts based on the shelter-poverty standard, as well as the 30% and 50%-of-income standards.

References

STONE, MICHAEL E. 1993. *Shelter Poverty: New Ideas on Housing Affordability*. Philadelphia: Temple University Press.